

Message Text

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ACTION OPIC-12

INFO OCT-01 ARA-16 ADP-00 EB-11 AID-20 TRSE-00 AGR-20

IGA-02 L-03 /085 W

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R 112132Z JUL 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 514

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EO 11652: N/A

TAGS: ECON VE

SUBJECT: KING RANCH APPLICATIONS FOR INVESTMENT INSURANCE

(NOS. 529-71-061, 529-74-127)

FOR OPIC

1. FOLLOWING EMBASSY COMMENTS ON ABOVE PROJECTS OF KING RANCH ARE BASED ON INFORMATION MADE AVAILABLE TO EMBASSY OVER LAST THREE YEARS AND ON PREVIOUS VISITS OF EMBASSY OFFICERS TO RIO YARACUY PROJECT.

FURTHER ELABORATION WOULD REQUIRE DISCUSSIONS WITH VARIOUS GOVERNMENT AND PRIVATE PARTIES WHICH WE ARE RELUCTANT TO UNDERTAKE UNLESS ADDITIONAL INFORMATION IS DEFINITELY NEEDED.

2. KING RANCH OPERATIONS DO NOT CONSTITUTE A "PERVASIVE ECONOMIC PRESENCE.". TOTAL LIVESTOCK OF KING RANCH IN VENEZUELA IS EXPECTED TO LEVEL OFF AT ABOUT 30,000 HEAD DURING THIS YEAR, COMPARED TO TOTAL ESTIMATED BEEF CATTLE POPULATION OF VENEZUELA OF APPROXIMATELY 8.5 MILLION. RIO YARACUY PROJECT, BY DEVELOPING FORMERLY UNPRODUCTIVE LAND, HAS FAVORABLY CONTRIBUTED TO VENEZUELA'S ECONOMIC DEVELOPMENT. THE CURRENT SHORTAGE OF BEEF IN VENEZUELA IS A SUBJECT OF WIDE PUBLIC CONCERN AND KING RANCH'S CONTRIBUTION IN REDUCING THIS SHORTFALL SHOULD EARN IT HIGH MARKS WITH VENEZUELAN GOVERNMENT, AT LEAST OVER SHORT RUN. KING RANCH IS RECOGNIZED AS AN EFFICIENT, MODERN RANCHING OPERATION. COMPANY HAS SHARED ITS KNOWLEDGE CONCERNING RANGE

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FEEDING, FATTENING, FERTILIZING AND LAND DEVELOPMENT WITH OTHER

CATTLE RAISERS IN VENEZUELA.

3. EMBASSY HAS NO DEFINITE INFORMATION CONCERNING RIO YARACUY PURCHASE OF LAND IN STATE OF APURE. THIS PURCHASE HAS RECEIVED NO PUBLIC COMMENT TO OUR KNOWLEDGE. SEVERAL LARGE BEEF AND DAIRY HERDS WERE LOCATED IN APURE BEFORE THIS PURCHASE, AND WE UNDERSTAND THAT OTHER CATTLEMEN ARE CONSIDERING INVESTMENTS IN THAT STATE. WE WOULD EXPECT, THEREFORE, THAT PURCHASE PRICE WOULD BE GOVERNED BY MARKET FACTORS.

4. QUESTIONS OF ACHIEVEMENTS, REPUTATION, AND GOVERNMENT RELATIONS OF KING RANCH ARE DESCRIBED MORE THOROUGHLY IN EMBASSY'S A-533 OF OCTOBER 1, 1970. FROM ALL INDICATIONS REPUTATION OF KING RANCH IS ON A PAR WITH THAT OF OTHER U.S. COMPANIES WHICH ENJOY INSURANCE FOR THEIR INVESTMENTS IN VENEZUELA. NORMAL RISKS OF EXPROPRIATION EXIST BUT DO NOT SEEM EXAGGERATED. MCCLINTOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973CARACA05965
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730741/aaaabdxt.tel
Line Count: 78
Locator: TEXT ON-LINE
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 24 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Jan-2002 by willialc>; APPROVED <14 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KING RANCH APPLICATIONS FOR INVESTMENT INSURANCE (NOS. 529-71-061, 529-74-127)
TAGS: ECON, VE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005